



# Federal Register

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**Monday,  
November 27, 2000**

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## **Part II**

### **Department of the Treasury**

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#### **Community Development Financial Institutions Fund**

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**Notice of Funds Availability (NOFA)  
Inviting Applications for the Community  
Development Financial Institutions  
Program—Small and Emerging CDFI  
Assistance (SECA) Component; Notice**

**DEPARTMENT OF THE TREASURY****Community Development Financial Institutions Fund****Notice of Funds Availability (NOFA) Inviting Applications for the Community Development Financial Institutions Program—Small and Emerging CDFI Assistance (SECA) Component**

**AGENCY:** Community Development Financial Institutions Fund, Department of the Treasury.

**ACTION:** Notice of Funds Availability (NOFA) inviting applications.

**SUMMARY:** The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 *et seq.*) (the “Act”) authorizes the Community Development Financial Institutions Fund (the “Fund”) of the U.S. Department of the Treasury to select and provide financial and technical assistance to eligible applicants under the Community Development Financial Institutions (“CDFI”) Program. The interim rule (12 CFR part 1805), most recently revised and published in the **Federal Register** on August 14, 2000, provides guidance on the contents of the necessary application materials, evaluation criteria, and other program requirements. More detailed application content requirements are found in the application packet. While the Fund encourages applicants to review the interim rule, all of the application content requirements and the evaluation criteria contained in the interim rule are also contained in the application packet. Subject to funding availability, the Fund intends to award up to \$10 million in appropriated funds under this NOFA and expects to issue approximately 70 to 100 awards. The Fund reserves the right to award in excess of \$10 million in appropriated funds under this NOFA provided that funds are available and the Fund deems it appropriate. The Fund reserves the right to fund, in whole or in part, any, all or none of the applications submitted in response to this NOFA.

This NOFA is issued in connection with the SECA Component of the CDFI Program. The SECA Component provides direct assistance to CDFIs and entities that propose to become CDFIs in order to enhance their capacity to serve their respective Target Markets. The SECA Component includes direct assistance in the form of technical assistance (TA) and financial assistance (FA). The SECA Component replaces the TA Component of the CDFI Program, administered by the Fund in 1998, 1999

and 2000, through which the Fund provided TA to CDFIs and entities proposing to become CDFIs.

**DATES:** Applications may be submitted on and following November 27, 2000 up to the application deadline. The deadline for receipt of an application is 6 p.m. EST, March 27, 2001.

Applications received in the offices of the Fund after that date and time will be rejected and returned to the sender.

**ADDRESSES:** Applications shall be sent to: Awards Manager, Community Development Financial Institutions Fund, U.S. Department of the Treasury, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. Applications sent electronically or by facsimile will not be accepted.

**FOR FURTHER INFORMATION CONTACT:** If you have any questions about programmatic requirements, contact the SECA Program Manager. Should you wish to request an application package or have questions regarding application procedures, contact the Awards Manager. The SECA Program Manager and the Awards Manager may be reached by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-8662, by facsimile at (202) 622-7754 (these are not toll free numbers), or by mail at CDFI Fund, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. Allow at least one to two weeks from the date the Fund receives an application request for receipt of the application package. Application materials and other information regarding the Fund and its programs may be downloaded from the Fund's web site at <http://www.treas.gov/cdfi>.

**SUPPLEMENTARY INFORMATION:****I. Background**

Credit and investment capital are essential ingredients for developing affordable housing, starting or expanding businesses, creating and retaining jobs from these businesses, revitalizing neighborhoods, and empowering people. Access to financial services is critical to help bring more Americans into the economic mainstream. As a key urban and rural policy initiative, the CDFI Program funds and supports a national network of financial institutions that is specifically dedicated to funding and supporting community development. This strategy builds strong institutions that make loans and investments and provide services to economically distressed investment areas and in economically disadvantaged targeted populations. The Act authorizes the Fund to select entities to receive FA and

TA. This NOFA invites applications from eligible organizations for TA or for a combination of TA and FA for the purpose of promoting community development activities.

The program connected with this NOFA constitutes the SECA Component of the CDFI Program, involving direct FA and/or TA to CDFIs that provide loans, investments and other activities to their target markets. Under this SECA Component NOFA, the Fund anticipates making a maximum TA award in the amount of \$50,000 to any one applicant seeking TA only. However, the Fund, in its sole discretion, reserves the right to award amounts in excess of the anticipated maximum amount of TA if the Fund deems it appropriate. Also, under the SECA Component, the Fund anticipates making a maximum FA award in the amount of \$150,000. Together with the \$50,000 maximum TA award, the maximum award available to any one applicant seeking FA and TA will be \$200,000. Under the SECA Component, applicants seeking FA must also request TA.

Previous awardees of FA under the CDFI Program (*i.e.*, those that were selected by the Fund prior to submission of the SECA Component application to receive FA) are eligible to apply for TA only under this NOFA. Any previous awardee of TA only under the CDFI Program, any entity not previously selected for an award under the CDFI Program, or any previous awardee under another Fund program is eligible to apply for TA, or a combination of FA and TA, under this NOFA, provided it also meets the definition of a “small and emerging” CDFI, as defined in this NOFA. Previous Fund awardees must be aware that success in a previous funding round should not be considered indicative of success under this NOFA. In addition, organizations will not be penalized for having previously received awards from the Fund, except as mentioned above and to the following extent:

(1) The Fund is generally prohibited from obligating more than \$5 million in assistance, in the aggregate, under the CDFI Program, to any one organization and/or its subsidiaries and affiliates during any three year period; and

(2) The Fund reserves the right not to make an award to a previous CDFI Program awardee that has failed to meet its performance goals, financial soundness covenants (if applicable), and/or certain other terms, conditions or requirements contained in previously executed assistance agreement(s).

## II. Eligibility

The Act and the interim rule specify the eligibility requirements that each applicant must meet in order to be eligible to apply for assistance under this SECA Component NOFA. At the time an entity submits its application, the entity must be a duly organized and validly existing legal entity under the laws of the jurisdiction in which it is incorporated or otherwise established. Also, an entity must meet, or propose to meet, CDFI certification eligibility requirements.

If the applicant does not meet the CDFI eligibility requirements, the application shall include a realistic plan for the applicant to meet the CDFI certification criteria by March 27, 2003 (the deadline may be extended at the sole discretion of the Fund). In no event will the Fund disburse FA to the applicant until the applicant is certified as a CDFI. The Fund, in its sole discretion, may disburse TA to an applicant prior to its certification as a CDFI in circumstances when, in the judgment of the fund, said TA will help the applicant meet a certification requirement(s). Further details regarding eligibility and other program requirements are found in the application packet.

In general, to be certified, a CDFI and its affiliates must collectively have a primary mission of promoting community development. In addition, the applicant organization must: provide loans or equity investments, serve an investment area or a targeted population, provide development services, maintain community accountability, and be a non-governmental entity. If an applicant is a Depository Institution Holding Company or an affiliate of a Depository Institution Holding Company, the applicant and its affiliates must collectively meet all eligibility requirements. If an applicant is a subsidiary of an insured depository institution, the insured depository institution and all of its subsidiaries must collectively meet all of the eligibility requirements.

In addition to the above, there are other eligibility factors for applicants seeking FA (and TA) under the SECA Component. Applicants for FA and TA (as opposed to TA only under the SECA Component) must be "small and emerging" entities. With respect to an entity that is not a Depository Institution Holding Company or an Insured Depository Institution, a "small and emerging" entity is one that (i) possesses total assets of \$5 million or less as of the last day of its most recent

fiscal year that ended prior to March 1, 2001 and (ii) prior to the date of application for SECA Component funds, has never been selected to receive FA under the CDFI Program.

An applicant that is a Depository Institution Holding Company or an Insured Depository Institution will be considered a "small and emerging" entity if it (i) prior to the date of application for SECA Component funds, has never been selected to receive FA under the CDFI Program and (ii) received its original charter from the appropriate regulatory agency no more than three years prior to the date of this NOFA. For purposes of this NOFA, the Fund will not consider the asset size of a Depository Institution Holding Company or Insured Depository Institution in evaluating whether such an entity is "small and emerging."

## III. Types of Assistance

An applicant under this NOFA may submit an application for a TA grant or for both FA and TA. FA may be provided in the form of an equity investment (including, in the case of certain insured credit unions, secondary capital accounts), grant, loan, deposit, credit union shares, or any combination thereof. Applicants for FA shall indicate the dollar amount, form, and terms and conditions of the assistance requested. Applicants for TA under this NOFA shall describe the type(s) of TA requested, when the TA will be acquired, the provider(s) of the TA, the cost of the TA, and a narrative explanation of how the TA will enhance their community development impact.

## IV. Application Packet

An applicant under this NOFA, whether applying for TA or both FA and TA, must submit the materials described in the application form.

## V. Matching Funds

Applicants seeking FA under this NOFA must obtain matching funds from sources other than the Federal government on the basis of not less than one dollar for each dollar of FA provided by the Fund (matching funds are not required for TA). Matching funds must be at least comparable in form and value to the FA provided by the Fund. Non-Federal funds obtained or legally committed on or after January 1, 1999, and before December 31, 2002, may be considered when determining matching funds availability. The Fund reserves the right to recapture and reprogram funds if an applicant fails to raise the required matching funds by December 31, 2002, or to grant an extension of such matching funds

deadline for specific applicants selected for assistance, if the Fund deems it appropriate. Funds used by an applicant as matching funds for a previous award under the CDFI Program or under another Federal grant or award program cannot be used to satisfy the aforementioned matching funds requirement.

## VI. Evaluation

Applications received will be reviewed for eligibility and completeness. If determined to be eligible and complete, applications will be evaluated by the Fund on a competitive basis in accordance with the criteria described in this NOFA. In conducting its substantive review, the Fund will evaluate applications according to the criteria, and use the procedure described, in this NOFA.

### Phase One

In Phase One of the substantive review, each Fund reader will evaluate applications on a 100-point scale, using the following criteria and allocation of points:

(a) *Comprehensive Business Plan*: 60 point maximum; with a minimum score of 30 points required to advance to Phase Two review (TA only applicants); or 70 point maximum, with a minimum score of 35 points required to advance to Phase Two review (applicants seeking TA and FA combined). The score for the Comprehensive Business Plan is based on a composite assessment of an applicant's strength and weaknesses under five sub-criteria for TA only applicants and six sub-criteria for those applicants seeking TA and FA. Scoring of the sub-criteria is weighted to reflect whether the applicant is a start-up organization or an established organization. The Fund defines a start-up organization as an entity that has been in operation three years or less, as of the date of this NOFA (meaning, for purposes of this NOFA, having incurred initial operating expenses on or after November 27, 1997).

The sub-criteria are:

(1) Community development tract record (established organizations only): 10 point maximum;

(2) Financial and operational capacity: 10 point maximum (established organizations); 4 point maximum (start-ups);

(3) Capacity, skills and experience of the management team: 14 point maximum (established organizations); and 30 point maximum (start-ups);

(4) Market analysis, program design and implementation plan, and funding sources: 14 point maximum;

(5) Projected activities and community development impact: 12 point maximum; and

(6) Financial projections and resources: 10 point maximum (TA only applicants will not be evaluated under this sub-criterion).

In the case of an applicant that has previously received TA from the Fund under the CDFI Program, the Fund will consider whether the applicant will expand its operations into a new Target Market, offer more products or services, improve the quality of its products and services, and/or increase the volume of its activities. The Fund will consider the applicant's level of success in meeting its performance goals, financial soundness covenants (if applicable), and other requirements contained in its existing assistance agreement(s) with the Fund, and the benefits that will be created with new Fund assistance over and above benefits created by previous Fund assistance.

(b) *Technical Assistance Proposal (TAP)*: 40 point maximum; with a minimum score of 20 points to advance to Phase Two review (TA only applicants); or 30 point maximum with a 15 point minimum to advance to Phase Two review (applicants seeking FA and TA combined). The TAP provides the applicant with an opportunity to address the organizational improvements needed to achieve the objectives of its comprehensive business plan. Such assessment is accompanied by a budget and a TA award request. In the TAP, the applicant should describe how improving its organization will translate to community development impact, particularly within its Target Market. The budget and accompanying narrative will be evaluated for the eligibility of proposed uses of the TA award. Eligible types of TA award uses include, but are not limited to, the following: (1) acquiring consulting services; (2) paying staff salary for the limited purposes of completing tasks and/or fulfilling functions that are otherwise eligible TA award uses under this NOFA; (3) acquiring/enhancing technology items; and (4) acquiring training for staff or management. The Fund will not consider requests under this NOFA for expenses that, in the determination of the Fund, are deemed to be ongoing operating expenses rather than non-recurring expenses. The Fund will consider requests for use of TA to pay for staff salary only when the applicant demonstrates and represents that: the proposed staff time to be paid for by the TA will be used for, generally speaking, a non-recurring activity that will build the applicant's capacity to achieve its

objectives as set forth in its Comprehensive Business Plan; the proposed capacity-building activity would otherwise be contracted to a consultant or not be undertaken; and the staff person assigned to the proposed task has the competence to successfully complete the activity.

This limited use of TA may cover only that portion of a staff person(s) salary that represents the time that staff person(s) spends on the identified capacity-building activities, but must not exceed 50% of said salary for a period not to exceed 24 months. For example, it may be an eligible use of a TA grant to pay the salary of staff assigned the task of updating a market analysis or designing underwriting criteria for a new loan product, when the market analysis or the loan product is critical to achieving the objectives of the Comprehensive Business Plan. A TA award may not be used to assist an awardee to prepare an application for funding to the Fund or any other source.

#### *Phase Two*

Once the initial substantive evaluation process is complete, the Fund will determine which applications will receive further consideration for funding. The Fund will make that determination based on application scores (standardized if deemed appropriate), recommendations of individuals performing initial reviews, and the amount of funds available. Applicants that advance to Phase Two may receive a site visit(s) and/or telephone interview(s) conducted by a Fund reviewer for the purpose of obtaining clarifying or confirming information. At this point in the process, applicants may be required to submit additional clarifying information about their application in order to assist the Fund with its final evaluation. After conducting such site visit(s) and/or telephone interview(s), the Fund reviewer will evaluate applications in accordance with the criteria outlined above and will prepare a recommendation memorandum regarding the type, uses and amount, if any, of assistance that should be provided to the applicant.

The Fund reserves the right, in its sole discretion, to use a review panel comprised of Fund staff to consider each Fund reviewer's recommendation memorandum and make a final recommendation to the Fund's selecting official. The Fund's selecting official will consider the panel's recommendation, if applicable, and the reviewer's recommendation memorandum in order to make the final funding decision. In making the funding

decision, the Fund's selecting official also may consider the institutional diversity and geographic diversity of applicants (e.g., selecting a CDFI from a State in which the Fund has not previously made an award over a CDFI in a State in which the Fund has already made several awards).

Further, the Fund's selecting official will make a final funding determination based on the applicant's file, including, without limitation, recommendations of the Phase One reader(s), the Phase Two reviewer, the panel, if applicable, and the amount of funds available. In the case of regulated CDFIs, the selecting official will also take into consideration the views of the appropriate Federal banking agencies. In the case of recommendations for TA awards over \$50,000, the Fund will seek to ensure that there is a likelihood of significant community development impact resulting from such awards.

The Fund reserves the right to change these evaluation procedures if the Fund deems it appropriate.

#### **V. Waiver**

The CDFI Program Regulations at 12 CFR §§ 1805.504(d)(4)(i)(A) and 1805.504(d)(4)(i)(B) provide that an applicant that is an Insured Credit Union proposing to meet all or a portion of its matching funds requirements by using retained earnings that have been accumulated since its inception must increase its member and/or non-member shares by an amount that is at least equal to four times the amount of retained earnings that is committed as matching funds within 24 months from September 30 of the calendar year in which the applicable application deadline falls. For purposes of this NOFA, the Fund is waiving said four-fold requirement and will instead require that such an Insured Credit Union applicant must increase its member and/or non-member shares by an amount that is at least equal to two times the amount of retained earnings that is being used as matching funds by September 30, 2003. The Fund believes that changing this requirement, for purposes of the SECA Component NOFA, from a four-fold to a two-fold requirement is an appropriate accommodation for entities that are "small and emerging."

#### **VI. Information Sessions**

In connection with this NOFA, the Fund will conduct Information Sessions to disseminate information to organizations contemplating applying for, and other organizations interested in learning about, the SECA Component of the CDFI Program. Registration is

required. The Fund will conduct 13 in-person Information Sessions, beginning January 4, 2001, as follows: Baltimore, MD, January 4, 2001; Manchester, NH, January 5, 2001; Seattle, WA, January 8, 2001; Casper, WY, January 9, 2001; Chicago, IL, January 10, 2001; Los Angeles, CA, January 9, 2001; Nashville, TN, January 11, 2001; Reno, NV, January 11, 2001; Phoenix, AZ, January 12, 2001; Kansas City, MO, January 16, 2001; Dallas, TX, January 17, 2001; Jacksonville, FL, January 18, 2001; and Jersey City, NJ (New York City), January 19, 2001.

In addition to the in-person sessions listed above, the Fund will broadcast an Information Session using interactive video-teleconferencing technology on January 23, 2001 from 1 p.m. to 4 p.m. EST. Registration is required. This Information Session will be produced in Washington, DC, and will be downlinked via satellite to the local Department of Housing and Urban Development (HUD) offices located in the following cities: Albany, NY;

Albuquerque, NM; Anchorage, AK; Atlanta, GA; Baltimore, MD; Bangor, ME; Birmingham, AL; Boise, ID; Boston, MA; Buffalo, NY; Burlington, VT; Camden, NJ; Casper, WY; Charleston, WV; Chicago, IL; Cincinnati, OH; Cleveland, OH; Columbia, SC; Columbus, OH; Dallas, TX; Denver, CO; Des Moines, IA; Detroit, MI; Fargo, ND; Flint, MI; Fort Worth, TX; Fresno, CA; Grand Rapids, MI; Greensboro, NC; Hartford, CT; Helena, MT; Honolulu, HI; Houston, TX; Indianapolis, IN; Jackson, MS; Jacksonville, FL; Kansas City, KS; Knoxville, TN; Las Vegas, NV; Little Rock, AR; Los Angeles, CA; Louisville, KY; Lubbock, TX; Manchester, NH; Memphis, TN; Miami, FL; Milwaukee, WI; Minneapolis/St. Paul, MN; Nashville, TN; New Orleans, LA; New York, NY; Newark, NJ; Oklahoma City, OK; Omaha, NE; Orlando, FL; Philadelphia, PA; Phoenix, AZ; Pittsburgh, PA; Portland, OR; Providence, RI; Reno, NV; Richmond, VA; Sacramento, CA; St. Louis, MO; Salt

Lake City, UT; San Antonio, TX; San Diego, CA; San Francisco, CA; San Juan, PR; Santa Ana, CA; Seattle, WA; Shreveport, LA; Sioux Falls, SD; Spokane, WA; Springfield, IL; Syracuse, NY; Tampa, FL; Tucson, AZ; Tulsa, OK; Washington, DC; and Wilmington, DE.

Additional information sessions targeting specific locations and/or populations may be added to this list; please visit the Fund's web site for further information.

For more information, or to register for an Information Session, please contact the Fund at (202) 622-8662 or visit the Fund's web site at <http://www.treas.gov/cdfi>.

**Authority:** 12 U.S.C. 4703, 4703 note, 4704, 4706, 4707, and 4717; 12 CFR part 1805.

Dated: November 21, 2000.

**Maurice A. Jones,**

*Director, Community Development Financial Institutions Fund.*

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